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231349Z Dec 03

UNCLAS ROME 005696

SIPDIS

DEPT FOR EUR/WE, EUR/ERA, EB/IFB/OMA
PARIS ALSO FOR USOECD
TREAS FOR OASIA STUART
FRANKFURT FOR WALLAR
USDOC 6800/ITA/TD/OTEA/TISD/HSCHULTZ
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SUBJECT: ITALY APPROVES ITS 2004 BUDGET

[1](#)1. ON DECEMBER 22, PARLIAMENT PASSED THE 2004 BUDGET THAT THE GOI HAD PRESENTED TO THE LEGISLATURE ON OCTOBER 2. BY LAW, PARLIAMENT MUST PASS THE BUDGET BY DECEMBER 31. USING THE EXCHANGE RATE OF EURO .90 TO ONE DOLLAR, THE 2004 BUDGET TOTALS EURO 634.5 BILLION (USD 705 BILLION), OR 46.9 PERCENT OF GDP, DOWN FROM 48.1 PERCENT IN 2003. THE BUDGET INCLUDES REVENUE INCREASES OF EURO 12 BILLION (USD 13.3 BILLION), SPENDING CUTS OF EURO FOUR BILLION (USD 4.4 BILLION), AND A MODEST STIMULUS PACKAGE OF EURO FIVE BILLION (USD 5.5 BILLION). TWO-THIRDS OF THE BUDGET BILL ARE STILL BASED ON ONE-TIME REVENUE-RAISING MEASURES (E.G. A CONTROVERSIAL TAX REVENUE FROM AN AMNESTY FOR BUILDINGS ILLEGALLY CONSTRUCTED); AND ONE-THIRD, ON STRUCTURAL ECONOMIC REFORMS. TO MAKE FUNDS AVAILABLE FOR THE EURO FIVE BILLION (USD 5.5 BILLION) STIMULUS PACKAGE AND TO TAKE INTO ACCOUNT THE LESS FAVORABLE ECONOMIC GROWTH OUTLOOK IN 2003 AND 2004, THE GOI HAS AGREED TO AN INCREASED BUDGET DEFICIT.

[1](#)2. ELEMENTS OF THE BUDGET PACKAGE WERE PASSED BY THE COUNCIL OF MINISTERS AS A "DECREE LAW" TO ACCELERATE IMPLEMENTATION OF THE BUDGET; AND THE DECREE-LAW ACCOMPANYING THE BUDGET WAS APPROVED ON NOVEMBER 19. IN GENERAL TERMS, THE 2004 BUDGET IS AN ATTEMPT TO STIMULATE A SLUGGISH ECONOMY AND KEEP THE DEFICIT UNDER CONTROL.

CONSIDERING THE DIFFICULTIES IN THE APPROVAL OF THE 2004 BUDGET, THE GOI PLANS TO REVISE THE APPROVAL PROCEDURES OF BUDGETARY DOCUMENTS BEGINNING WITH THE 2005 BUDGET.

[1](#)3. EMBASSY WILL MAKE A COMPREHENSIVE REPORT OF THE 2004 BUDGET BY THE BEGINNING OF THE NEW YEAR.

SEMBLER

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2003ROME005696 - Classification: UNCLASSIFIED